



CFO and CSO Roundtable Series

Part 1

How do you give priority to competing stakeholder claims?



WHY IS IT IMPORTANT?

IFRS S1

Governance: 27. (a) (iv)

Trade-offs made in connection with sustainability risks and opportunities when overseeing the entity's strategy

Strategy: 33. (c)

Trade-offs between sustainability-related risks and opportunities that the entity considered

Risk management: 43. (a)

Processes to identify, assess, prioritise and monitor sustainability-related risks and opportunities

ESRS 2

Strategy (SBM-2): 43. (a) (b)

Description of stakeholders, whether engagement with them occurs and for which categories of stakeholders, how it is organised, its purpose and how its outcome is taken into account.

GRI

Approach to stakeholder engagement 2-29

Description of the approach to engaging with stakeholders, including the categories of stakeholders, how "they are" identified, and the purpose of the stakeholder engagement.

STEP 1

Determine the relative power, legitimacy and urgency for each stakeholder group.

Power



Legitimacy



Urgency





Power

Legitimacy

Urgency

STEP 1

Power

The degree to which the stakeholder group has the ability to impose its will on the firm's decisions.

Key questions:

- Does the stakeholder group have **coercive power** ?
 - Can the stakeholder group apply physical means (i.e. force, sanctions) to impose its will on the firm?
- Does the stakeholder group have **utilitarian power** ?
 - Does the firm depend on the stakeholder group for material, human, financial and other resources?
- Does the stakeholder group have **normative power** ?
 - Is the stakeholder group highly respected in the society (i.e. through prestige, esteem, love and/or acceptance)?

STEP 1

Power

Legitimacy

Urgency

Legitimacy

The degree to which the stakeholder group's actions or claims are desirable, proper, or appropriate within socially constructed norms, values, and beliefs.

Key questions:

- Are the firm and the stakeholder group in a **contractual relationship** ?
- Does the stakeholder group have a **legal claim** on the firm?
- Does the stakeholder group have **something at risk** in the firm?
 - Does the stakeholder group bear some form of risk as a result of having invested something of value in the firm?
 - Is the stakeholder group placed in a risky position as a result of the firm's activities?
- Does the stakeholder group have a **moral claim** on the firm?
 - Is the firm significantly responsible for the stakeholder group's well-being?
 - Does the stakeholder group benefit from, or is harmed (actual or potential benefits and harms) by the actions of the firm?

STEP 1

Power

Legitimacy

Urgency

Urgency

The degree to which the stakeholder group's claims call for immediate attention given their time-sensitivity and criticality.

Key questions:

Time-sensitivity

- Is managerial delay in attending to the claim or relationship unacceptable to the stakeholder group?

Criticality

- Is the firm's relationship with the stakeholder group critical or highly important to the latter?
 - Does the stakeholder group possess firm-specific assets, which are tied to the firm that cannot be used in a different way without loss of value?
 - Does the stakeholder group attach a great importance to that which is at risk in the relationship with the firm?
 - Does the stakeholder group expect the firm to continue providing it with something of great value (e.g. compensation and benefits for employees)?

STEP 2

Use a joint value creation approach to determine the multilateral salience of each stakeholder group.

Dependability

No stakeholder group stands alone in the process of value creation. To satisfy their (sometimes competing) needs, stakeholders depend not only on the organisation but also on other stakeholders.

Complementarity

Your firm should be viewed as a value creating system based on the complementary resources provided by salient stakeholders.

Multilateral Stakeholder Salience Approach

The power, influence and urgency in meeting the needs of a stakeholder group influence the power, influence and urgency in meeting the needs other stakeholder groups.



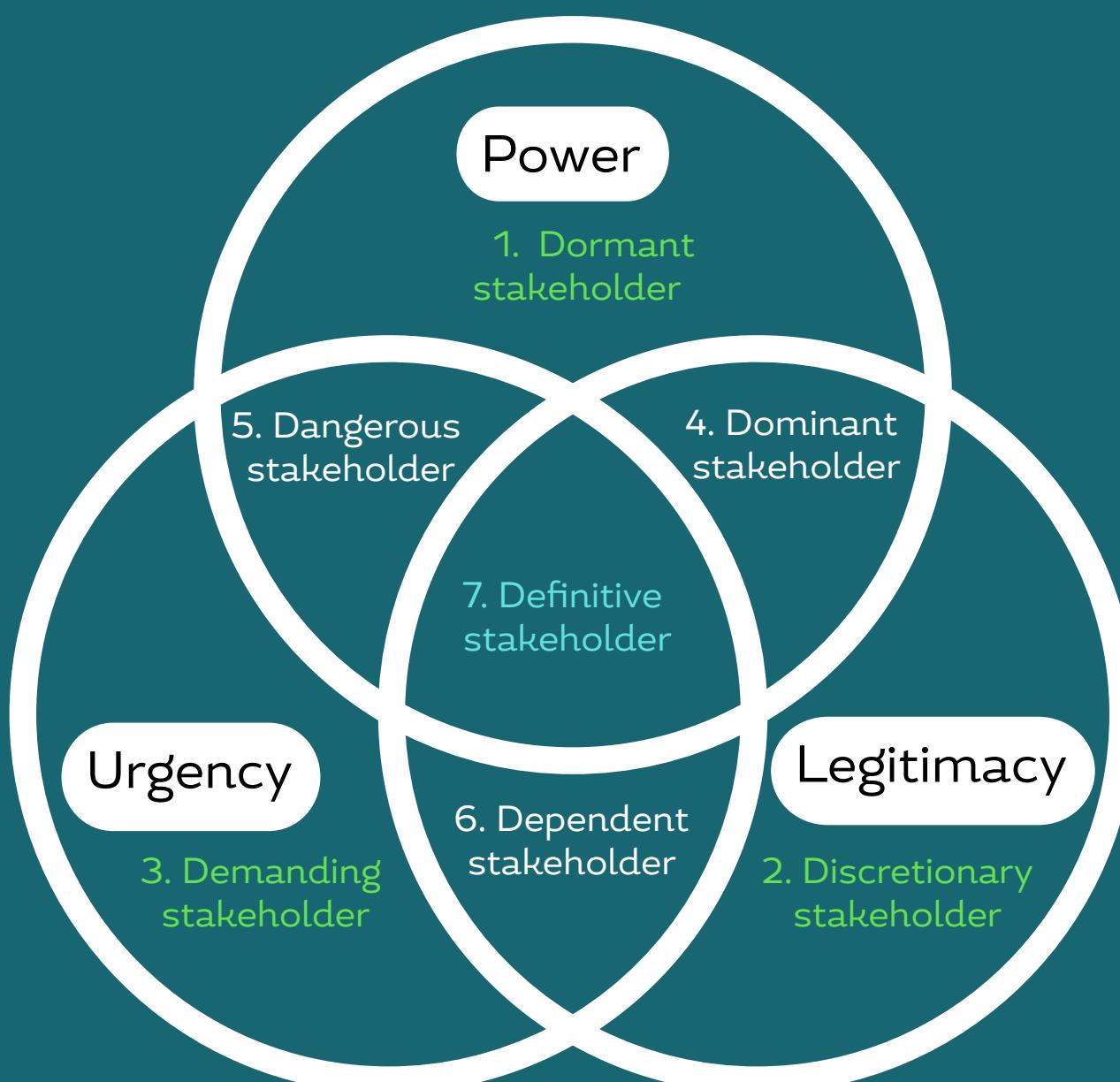
STEP 3

Prioritise your actions to align with the degree of salience of each stakeholder groups.

The **key** stakeholder group with high salience (area 7)

The **expectant** stakeholder group with moderate salience (areas 4, 5, and 6)

The **latent** stakeholder group with low salience (areas 1, 2, and 3)



Qualitative Classes of Stakeholders (Mitchell, Agle and Wood, 1997)



**Contact us to find out how
we can help**

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